

## China's Economic & Market

### China, Georgia sign framework deal on currency swap

China's central bank announced on September 27th, 2015 that it had signed a framework agreement on a currency swap program with Georgian central bank. Zhou Xiaochuan, head of the People's Bank of China (PBOC), inked the document with Giorgi Kadagidze, governor of the National Bank of Georgia, on the sidelines of the 34th Meeting of the Central Bank Governors' Club of the Central Asia, Black Sea Region and Balkan Countries. Both sides expressed willingness to establish the currency swap program, which will strengthen bilateral currency cooperation, promote settlement directly in the two currencies, and facilitate trade and investment, according to a PBOC statement.

### China to create national carbon-trading market

China plans to launch a national emission trading system in 2017, part of a joint presidential statement issued by China and the United States on Friday. It will inject new political energy into climate change talks ahead of December's UN climate summit in Paris. The trading system will cover power generation, steel, cement, and other key industrial sectors, as well as implement a "green dispatch" system to favor low-carbon sources in the electric grid. Trials in seven locations began in 2011, but the plan indicated that the creation of a carbon trading market and putting a price on greenhouse gas emissions has become a national-level strategy. The move is a step forward under the deal reached between leaders of two countries in November, during US President Barack Obama's state visit to Beijing. China pledged to cap carbon dioxide emissions around 2030 and make its best effort to cap them earlier, in a joint China-US announcement at the time.

### China urges SOE modernization through mixed ownership reform

As SOEs face global competition, China is trying to attract private investors to give them a new lease of life. However, state capital should maintain "the absolute controlling position," especially in fields relating to national security. Foreign capital is welcome in restructuring through a variety of methods including overseas mergers and acquisitions, cooperation in investment and financing and offshore financing. China has about 150,000 SOEs, holding more than 100 trillion yuan (\$15.7 trillion) in assets and employing over 30 million people. But they posted a 2.3-percent decline in profits in the Jan-July period. Aiming to make SOEs more creative and internationally competitive, China issued a guideline earlier this month to deepen SOE reforms, in which it pledged measures to modernize SOEs, enhance management of State assets, promote mixed ownership and prevent the erosion of State assets.

### China relaxes control on RMB cash inflow for multinationals

China's central bank on Wednesday raised the ceiling on cross-border

renminbi fund flows for multinationals via two-way cross-border renminbi cash pooling and lowered the threshold for participation in the business. The cap on the net inflow was raised to 50 percent of the total shareholders' equity in the cash pool, according to a statement of the People's Bank of China (PBOC). The initial ceiling for inflow was 10 percent and there is no cap on outflow. The two-way cross-border renminbi cash pooling allows multinationals to more conveniently allocate capital between group companies, enhancing cash management efficiency and cuts financing costs. China introduced cash pooling in the Shanghai Free Trade Zone in 2013 and promoted it nationwide in 2014. The PBOC also lowered some criteria for companies to participate in a renminbi cash pool. Chinese and overseas group companies need only have been operational for one year, and their revenue requirements were lowered to 1 billion yuan (around \$160 million) and 200 million yuan respectively.

### Wealth management business to reach \$19b in 10 years

Wealth management is increasingly becoming a core business for Chinese commercial banks during their operational transformation, as interest rate liberalization restrained bank profit growth and corporate credit demand slowed down amid the economic downturn. By the end of June, assets under management of domestic banks' wealth management services exceeded 18 trillion yuan, increasing at a compound annual growth rate of 30 to 40 percent since 2005. About 70 to 80 percent of the banks' outstanding wealth management money is invested in bonds, unlisted equities and non-standard assets, contributing more than 10 trillion yuan to the real economy.

### Macro Economy Data for Sep-2015

% change, unless otherwise stated

% chg, unless otherwise stated		Aug-15	Sep-15
IP	yoy	6.1	5.5
	sequential annualized	8.1	4.9
FAI	yoy (ytd)	10.9	10.7
	yoy (monthly)	9.2	9.5
Retail sales	yoy	10.8	11.0
Exports	yoy	-5.3	-8.3
Imports	yoy	-13.3	-19.6
Trade balance	USD bn	60	49
CPI	yoy	2.0	2.2
	sequential annualized	4.0	4.4
PPI	yoy	-5.9	-5.4
	sequential annualized	-3.5	-4.6
M2	yoy	13.3	13.0
New Loans	RMB bn	810	700
TSF	RMB bn	1,080	1000

Source: CEIC, CICC Research

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